



United
Kingdom

Canada

United States

Highlights of the Three Years Ended August 31

| | 1986 | 1985 | 1984 |
|--|--------------|--------------|--------------|
| Net Sales | \$69,384,000 | \$57,289,000 | \$57,306,000 |
| Net Income | \$11,570,000 | \$ 9,354,000 | \$10,062,000 |
| Earnings Per Share | \$1.54 | \$1.25 | \$1.35 |
| Dividends Per Share | \$1.04 | \$.90 | \$.84 |
| Average Number of Shares Outstanding | 7,503,679 | 7,498,024 | 7,476,546 |
| Shares Outstanding | 7,504,051 | 7,500,721 | 7,494,921 |
| Number of Shareholders | 2,264 | 2,249 | 2,172 |
| Number of Employees | 56 | 49 | 39 |

Highlights Fiscal 1986:

- Current Ratio: 6.2 to 1
- Receivables to Net Sales: 19.6%
- Net Sales per Employee: \$1,239,000
- Debt: None
- Inventories to Net Sales: 3.5%
- Net Income to Average Net Worth: 37.9%

Letter to the Shareholders

October 14, 1986

To Our Shareholders:

Once again your Company set records for sales and earnings. Net sales rose 21.1% from last year to \$69,384,000. Net income increased 23.7% from last year to \$11,570,000. On a per share basis earnings were \$1.54 versus \$1.25 a year ago.

The innovative "twin pack" helped us to achieve record sales in the United States. This pack was designed to double the unit sales of each retail transaction. It was particularly well received by the rapidly growing membership warehouse clubs. The success this unit has enjoyed resulted in our making it a permanent stock item.

Our fall 1986 promotion, which was launched in August, is a joint venture coupon program with Dow Bathroom Cleaner and O-CEL-0 Sponges especially geared to the grocery trade. The promotion should improve our presence in supermarkets and broaden our female consumer base as well as introduce new, non-traditional uses for WD-40 and thereby increase the consumption rate.

There was no significant change in export sales in fiscal 1986.

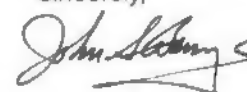
The first year of operation for our United Kingdom subsidiary went very smoothly and the results delivered were right on plan. This operation is responsible for packaging and marketing WD-40 in the United Kingdom, Eire, Europe, the Middle East and Africa. Significant changes have been instituted during this year by this operation. The international trade dress was introduced in nine different languages targeted to specific countries. More are in the works. Uniform distribution and sales policies have been formulated to insure that all accounts are treated fairly and assure that WD-40 is broadly distributed. Proven marketing programs from the United States are being tailored to fit local market conditions. We have elected to have our own sales force in the United Kingdom and go through distributors in the balance of the territory. The sales force is in place and distributors have been appointed for a number of countries. We are most optimistic about the long-term prospects of this subsidiary.

Our Canadian subsidiary continues to make good progress and is expected to have a bright future.

Cash dividends for fiscal 1986 were \$1.04 per share, up 15.6% from \$.90 a year ago.

Fiscal 1987 is expected to be another banner year. The new tax law will be a very positive factor in adding to our profitability.

Sincerely,



John S. Barry,
President

Corporate Objectives

Management is dedicated to the objectives of increasing corporate earnings and dividends by winning the end-user's brand loyalty for your Company's only product, WD-40. The Company would consider adding another product if it is determined that the Company can make a decisive contribution to that product's growth in the area of marketing-distribution.

The Product

WD-40 is the cornerstone of your Company. It is a chemical-petroleum based maintenance product consumed by end-users in homes, factories, garages, farms and offices throughout the world. The well-established growth pattern of the demand for WD-40 attests to customer satisfaction with its performance.

WD-40 is typically procured for a specific application and, because of its unusual versatility, finds its way into many other uses. This broad range of uses provides your single-product Company with surprising diversification from a marketing point-of-view — it has little dependency on any one or even a group of end-users.

Markets

Revenues generated from the United States and Canadian markets approach 90% of the total. This percentage is expected to decline as our subsidiary in England develops the markets in the United Kingdom, Eire, Europe, the Middle East and Africa. Developments in the Pacific Basin will also assist this trend.

End-users in the many countries where WD-40 is sold are served through a number of trade channels including automotive, hardware, drug, grocery, industrial and farm. WD-40 is a horizontal product cutting across numerous vertical trade channels.

Competition

Over the years the high visibility of our success has spawned envy and has lured literally hundreds of imitators into the marketplace. WD-40's strong brand loyalty has resulted in our withstanding these attempted intrusions even when launched by billion-dollar companies. In a real sense, the true competition is every product that is competing for shelf space be it anti-freeze, light bulbs or razor blades. To survive and grow our promotional programs must be attractive enough to the trade to win retail display space to capitalize on the impulse nature of WD-40.

Operational Overview

While your Company is technically a manufacturer, it is really a marketer. Such being the case, it is organized to focus intensive management attention on critical success areas of: (1) sales policies, (2) marketing plan formulation, and (3) implementation of marketing plans. Other vital functions handled internally are: order handling, credit, WD-40 concentrate formulation, and quality control.

WD-40 concentrate for North America is formulated in San Diego and shipped by railcar or tank wagon to contract packagers in Los Angeles, Texas, Georgia, Massachusetts, Wisconsin, and Toronto, Canada. These independent subcontractors package WD-40 to rigid specifications and, upon order from your Company, ship ready-to-sell WD-40 to our customers in their respective areas via common carrier. The packagers have no responsibility for marketing WD-40.

Concentrate is also formulated at our European headquarters in Milton Keynes, England. Two contract packers in England and one in Holland convert the concentrate into ready-to-sell WD-40. Over a dozen different labels are required to meet the language and labeling standards in the many countries served by this operation, nine of which have already been produced.

Report of Independent Accountants

Price Waterhouse



October 13, 1986

To the Board of Directors and Shareholders
of WD-40 Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and of shareholders' equity and of changes in financial position present fairly the financial position of WD-40 Company and its subsidiaries at August 31, 1986 and 1985, and the results of their operations and the changes in their financial position for each of the three years in the period ended August 31, 1986, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

San Diego, California

WD-40 Company Consolidated Statement of Income

| | Year ended August 31 | | |
|--|----------------------|---------------------|---------------------|
| | 1986 | 1985 | 1984 |
| Net sales | \$69,384,000 | \$57,289,000 | \$57,306,000 |
| Interest, royalty and other income | 1,259,000 | 1,505,000 | 1,515,000 |
| | <u>70,643,000</u> | <u>58,794,000</u> | <u>58,821,000</u> |
| Cost and expenses: | | | |
| Cost of product sold | 29,370,000 | 24,403,000 | 24,060,000 |
| Selling, general and administrative | 12,030,000 | 9,764,000 | 9,395,000 |
| Advertising and sales promotion | 6,590,000 | 5,289,000 | 4,923,000 |
| | <u>47,990,000</u> | <u>39,456,000</u> | <u>38,378,000</u> |
| Income before income taxes | <u>22,653,000</u> | <u>19,338,000</u> | <u>20,443,000</u> |
| Provision for income taxes: | | | |
| Federal | 8,838,000 | 7,934,000 | 8,201,000 |
| State | 1,510,000 | 1,568,000 | 1,717,000 |
| Foreign | 735,000 | 482,000 | 463,000 |
| | <u>11,083,000</u> | <u>9,984,000</u> | <u>10,381,000</u> |
| Net income | <u>\$11,570,000</u> | <u>\$ 9,354,000</u> | <u>\$10,062,000</u> |
| Average number of shares outstanding | <u>7,503,679</u> | <u>7,498,024</u> | <u>7,476,546</u> |
| Earnings per share | <u>\$1.54</u> | <u>\$ 1.25</u> | <u>\$ 1.35</u> |

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Balance Sheet

| Assets | August 31 | |
|--|----------------------|----------------------|
| | 1986 | 1985 |
| Current assets: | | |
| Cash, including certificates of deposit of \$16,790,000 and \$13,100,000 | \$18,822,000 | \$15,054,000 |
| Accounts receivable, less allowance for cash discounts and doubtful accounts of \$283,000 and \$169,000 | 13,566,000 | 12,401,000 |
| Inventories: | | |
| Finished goods | 2,013,000 | 2,277,000 |
| Raw materials | 438,000 | 278,000 |
| | 2,451,000 | 2,555,000 |
| Prepaid taxes and expenses | 1,410,000 | 784,000 |
| Total current assets | <u>36,249,000</u> | <u>30,794,000</u> |
| Property, plant and equipment, at cost: | | |
| Land | 254,000 | 254,000 |
| Building and improvements | 1,392,000 | 1,318,000 |
| Machinery and equipment | 1,372,000 | 1,182,000 |
| | 3,018,000 | 2,754,000 |
| Less accumulated depreciation | (918,000) | (738,000) |
| | 2,100,000 | 2,016,000 |
| Other assets | 157,000 | 61,000 |
| | <u>\$38,506,000</u> | <u>\$32,871,000</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,237,000 | \$ 2,044,000 |
| Accrued payroll and related expenses | 1,444,000 | 752,000 |
| Income taxes payable | 2,181,000 | 1,460,000 |
| Total current liabilities | <u>5,862,000</u> | <u>4,256,000</u> |
| Deferred income taxes | 173,000 | 33,000 |
| Shareholders' equity: | | |
| Common stock, no par value, 9,000,000 shares authorized – shares issued and outstanding of 7,504,051 and 7,500,721 | 1,750,000 | 1,714,000 |
| Paid-in capital | 121,000 | 121,000 |
| Retained earnings | 30,869,000 | 27,103,000 |
| Cumulative translation adjustment | (269,000) | (356,000) |
| Total shareholders' equity | <u>32,471,000</u> | <u>28,582,000</u> |
| | <u>\$ 38,506,000</u> | <u>\$ 32,871,000</u> |

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Statement of Shareholders' Equity

| | Common stock | | Paid-in capital | Retained earnings | Cumulative translation adjustment |
|---|------------------|--------------------|------------------|---------------------|-----------------------------------|
| | Shares | Amount | | | |
| Balance at August 31, 1983 | 7,459,141 | \$1,313,000 | \$121,000 | \$20,719,000 | |
| Issuance of common stock | 35,780 | 382,000 | | | |
| Repurchase of common stock | | (44,000) | | | |
| Cash dividends | | | | (6,283,000) | |
| Change in cumulative translation adjustment | | | | | (\$281,000) |
| Net income | | | | 10,062,000 | |
| Balance at August 31, 1984 | 7,494,921 | 1,651,000 | 121,000 | 24,498,000 | (281,000) |
| Issuance of common stock | 5,800 | 63,000 | | | |
| Cash dividends | | | | (6,749,000) | |
| Change in cumulative translation adjustment | | | | | (75,000) |
| Net income | | | | 9,354,000 | |
| Balance at August 31, 1985 | 7,500,721 | 1,714,000 | 121,000 | 27,103,000 | (356,000) |
| Issuance of common stock | 3,330 | 36,000 | | | |
| Cash dividends | | | | (7,804,000) | |
| Change in cumulative translation adjustment | | | | | 87,000 |
| Net income | | | | 11,570,000 | |
| Balance at August 31, 1986 | <u>7,504,051</u> | <u>\$1,750,000</u> | <u>\$121,000</u> | <u>\$30,869,000</u> | <u>(\$269,000)</u> |

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Statement of Changes in Financial Position

| | Year ended August 31 | | |
|--|----------------------|---------------------|---------------------|
| | 1986 | 1985 | 1984 |
| Financial resources were provided by: | | | |
| Operations — | | | |
| Net income | \$11,570,000 | \$ 9,354,000 | \$10,062,000 |
| Depreciation | 200,000 | 116,000 | 90,000 |
| Deferred income taxes | 140,000 | (4,000) | (8,000) |
| Provided by operations | 11,910,000 | 9,466,000 | 10,144,000 |
| Issuance of common stock | 36,000 | 63,000 | 382,000 |
| Disposition of equipment | 8,000 | 7,000 | 6,000 |
| | <u>11,954,000</u> | <u>9,536,000</u> | <u>10,532,000</u> |
| Financial resources were used for: | | | |
| Cash dividends | 7,804,000 | 6,749,000 | 6,283,000 |
| Repurchase of common stock | | | 44,000 |
| Additions to property, plant and equipment | 292,000 | 1,246,000 | 284,000 |
| Equity adjustment for foreign currency translation | (87,000) | 75,000 | 281,000 |
| Increase in other assets | 96,000 | 61,000 | |
| | <u>8,105,000</u> | <u>8,131,000</u> | <u>6,892,000</u> |
| Increase in working capital | <u>\$ 3,849,000</u> | <u>\$ 1,405,000</u> | <u>\$ 3,640,000</u> |
| Changes in components of working capital: | | | |
| Increase (decrease) in current assets — | | | |
| Cash | \$ 3,768,000 | (\$ 1,914,000) | \$ 5,321,000 |
| Accounts receivable | 1,165,000 | 2,642,000 | 1,473,000 |
| Inventories | (104,000) | 588,000 | (194,000) |
| Prepaid taxes and expenses | 626,000 | 81,000 | (1,196,000) |
| | <u>5,455,000</u> | <u>1,397,000</u> | <u>5,404,000</u> |
| Decrease (increase) in current liabilities — | | | |
| Accounts payable | (193,000) | (958,000) | 407,000 |
| Accrued payroll and related expenses | (692,000) | (103,000) | 292,000 |
| Income taxes payable | (721,000) | 1,069,000 | (2,463,000) |
| | <u>(1,606,000)</u> | <u>8,000</u> | <u>(1,764,000)</u> |
| Increase in working capital | <u>\$ 3,849,000</u> | <u>\$ 1,405,000</u> | <u>\$ 3,640,000</u> |

See accompanying notes to consolidated financial statements.

Note 1 — Summary of Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, WD-40 Products (Canada) Limited and WD-40 Company Ltd. (UK). All significant intercompany transactions and balances have been eliminated.

Inventories

Inventories are stated at the lower of average cost or market.

Depreciation

Depreciation of plant and equipment has been computed using straight-line and accelerated methods, based upon estimated useful lives of thirty to forty years for plant and three to fifteen years for machinery and equipment.

Foreign Currency Translation

The accounts of the Company's foreign subsidiaries have been translated into United States dollars at appropriate rates of exchange. Cumulative translation gains or losses are recorded as a separate component of shareholders' equity. Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's local currency), which are not material in amount, are included in the consolidated statement of income.

Earnings Per Share

Earnings per share are based upon the weighted average number of shares outstanding during each year, increased by the effect of dilutive stock options using the treasury stock method.

Income Taxes

Income taxes are provided for all taxable items included in the consolidated statement of income regardless of the period in which such items are reported for tax purposes. Investment tax credits are recognized during the period in which the assets to which they relate are placed into service. The Company also provides for United States taxes on foreign earnings expected to be repatriated.

Note 2 — Business Segment and Foreign Operations:

The Company operates in one business segment — the manufacture and sale of a multi-purpose lubricant through chain stores, automotive parts outlets and industrial distributors and suppliers.

Information regarding the Company's operations is summarized below. WD-40 Company (U.S.) amounts include all domestic sales, as well as sales to South America and the Pacific Basin. WD-40 Company Ltd. (U.K.) amounts include sales to Europe and the Middle East. Substantially all sales recorded by WD-40 Products (Canada) Ltd. are to customers within Canada.

| | Year ended August 31 | | |
|--|----------------------|---------------------|---------------------|
| | 1986 | 1985 | 1984 |
| Net sales: | | | |
| WD-40 Company (U.S.) | \$57,894,000 | \$53,139,000 | \$53,147,000 |
| WD-40 Company Ltd. (U.K.) | 6,799,000 | | |
| WD-40 Products (Canada) Ltd. | 4,876,000 | 4,424,000 | 4,348,000 |
| Eliminations | (185,000) | (274,000) | (189,000) |
| | <u>\$69,384,000</u> | <u>\$57,289,000</u> | <u>\$57,306,000</u> |
| Operating profit (loss): | | | |
| WD-40 Company (U.S.) | \$18,185,000 | \$17,459,000 | \$18,107,000 |
| WD-40 Company Ltd. (U.K.) | 2,084,000 | (482,000) | (39,000) |
| WD-40 Products (Canada) Ltd. | 1,125,000 | 856,000 | 860,000 |
| Interest, royalty and other income | 1,259,000 | 1,505,000 | 1,515,000 |
| Income before income taxes | <u>\$22,653,000</u> | <u>\$19,338,000</u> | <u>\$20,443,000</u> |
| Identifiable assets: | | | |
| WD-40 Company (U.S.) | \$31,392,000 | \$29,160,000 | \$27,533,000 |
| WD-40 Company Ltd. (U.K.) | 4,424,000 | 1,861,000 | 655,000 |
| WD-40 Products (Canada) Ltd. | 2,690,000 | 1,850,000 | 2,102,000 |
| | <u>\$38,506,000</u> | <u>\$32,871,000</u> | <u>\$30,290,000</u> |

No individual customer accounted for more than 10 percent of consolidated net sales during each of the three years ended August 31, 1986.

Note 3 — Income Taxes:

The provision for income taxes includes the following timing differences:

| | Year ended August 31 | | |
|--|----------------------|-------------------|-------------------|
| | 1986 | 1985 | 1984 |
| Due to expenses recorded in advance of tax deduction — | | | |
| California Franchise Tax | (\$32,000) | (\$64,000) | \$173,000 |
| Allowance for cash discounts | 14,000 | 3,000 | (17,000) |
| Stock appreciation rights | | | (188,000) |
| Depreciation | 140,000 | 4,000 | 4,000 |
| Other | 18,000 | 6,000 | 1,000 |
| Tax effect of timing differences | <u>\$140,000</u> | <u>(\$51,000)</u> | <u>(\$27,000)</u> |

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes follows:

| | Year ended August 31 | | |
|---|----------------------|---------------------|---------------------|
| | 1986 | 1985 | 1984 |
| Amount computed at statutory federal rate | \$10,420,000 | \$ 8,896,000 | \$ 9,404,000 |
| State income taxes, net of federal benefit | 815,000 | 847,000 | 927,000 |
| Foreign income taxes at rates (lower) higher than statutory federal rate | (152,000) | 241,000 | 50,000 |
| | <u>\$11,083,000</u> | <u>\$ 9,984,000</u> | <u>\$10,381,000</u> |

Note 4 — Stock Option Plans:

In November 1981, the shareholders approved an Incentive Stock Option Plan whereby the Board of Directors may grant officers and key employees options to purchase an aggregate of not more than 240,000 shares of the Company's common stock at a price not less than 100 percent of the fair market value of the stock at the date of grant. Options are exercisable one year after grant and may not be granted for terms in excess of ten years.

At August 31, 1986, options for 60,010 shares were exercisable and 112,835 shares were available for future grants.

A summary of the changes in options outstanding under the Plan during the three years ended August 31, 1986 is as follows:

| | Number of shares | Option price per share |
|--------------------------------------|---------------------|---------------------------|
| Outstanding at August 31, 1983 | 26,904 | \$10.83 |
| Options granted | 29,000 | \$19.50 |
| Options exercised | (9,414) | \$10.83 |
| Options canceled | (450) | \$10.83 |
| Outstanding at August 31, 1984 | 46,040 | \$10.83-\$19.50 |
| Options granted | 30,500 | \$21.38 |
| Options exercised | (5,800) | \$10.83 |
| Options canceled | (7,400) | \$19.50-\$21.38 |
| Outstanding at August 31, 1985 | 63,340 | \$10.83-\$21.38 |
| Options granted | 33,390 | \$19.50 |
| Options exercised | (3,330) | \$10.83-\$19.50 |
| Outstanding at August 31, 1986 | <u>93,400</u> | <u>\$10.83-\$21.38</u> |

Note 5 — Employee Benefit Plans:

The Company has a Profit Sharing Plan for the benefit of its regular full-time employees. The Plan provides for annual contributions into a trust which are based upon an annual earnings formula, or more, as approved by the Board of Directors, but which may not exceed the amount deductible for income tax purposes. The Plan may be amended or discontinued at any time by the Company. Profit sharing expense for 1986, 1985 and 1984 approximated \$236,000, \$173,000 and \$179,000, respectively.

Effective September 1, 1984, the Company adopted a Salary Deferral Employee Stock Ownership Plan for the benefit of its regular full-time employees who have completed three years of service. The Plan allows employees to defer a portion of their income through contributions to a trust. Additionally, the Plan provides for the Company to contribute to the trust. Company contributions, approved by the Board of Directors, may be made equal to fifty percent, or more, of the compensation deferred by employees, but which may not exceed the amount deductible for income tax purposes. Employee and Company contributions to the trust are invested in the Company's common stock. The Plan may be amended or discontinued at any time by the Company. Company contributions expense for 1986 and 1985 approximated \$13,000 and \$7,000, respectively.

Quarterly Financial Information (Unaudited)

The following table sets forth certain unaudited quarterly financial information for the two years ended August 31, 1986.

| Quarter ended: | Net Sales | Gross Profit | Net Income | Earnings Per Share |
|-------------------------|---------------------|---------------------|---------------------|--------------------|
| November 30, 1984 | \$14,207,000 | \$ 8,350,000 | \$ 2,332,000 | \$.31 |
| February 28, 1985 | 13,153,000 | 7,229,000 | 2,087,000 | .28 |
| May 31, 1985 | 14,986,000 | 8,661,000 | 2,303,000 | .31 |
| August 31, 1985 | 14,943,000 | 8,646,000 | 2,632,000 | .35 |
| | <u>\$57,289,000</u> | <u>\$32,886,000</u> | <u>\$ 9,354,000</u> | <u>\$1.25</u> |
| November 30, 1985 | \$14,862,000 | \$ 8,397,000 | \$ 2,282,000 | \$.30 |
| February 28, 1986 | 18,896,000 | 11,023,000 | 3,017,000 | .40 |
| May 31, 1986 | 15,680,000 | 8,873,000 | 2,510,000 | .34 |
| August 31, 1986 | 19,946,000 | 11,721,000 | 3,761,000 | .50 |
| | <u>\$69,384,000</u> | <u>\$40,014,000</u> | <u>\$11,570,000</u> | <u>\$1.54</u> |

Copy of Form 10-K

Beneficial owners may obtain without charge a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1986 by writing to the Secretary, WD-40 Company, 1061 Cudahy Place, San Diego, California 92110.

Stock Information

| Period: | Fiscal 1986 | | | Fiscal 1985 | | |
|----------------------|-------------|-------|----------|-------------|------|----------|
| | High | Low | Dividend | High | Low | Dividend |
| First Quarter | \$20¼ | \$19½ | \$.24 | \$22¼ | \$20 | \$.22 |
| Second Quarter | 23¼ | 22¾ | .26 | 23¾ | 21 | .22 |
| Third Quarter | 27 | 26¼ | .26 | 21 | 19½ | .22 |
| Fourth Quarter | 26 | 25½ | .28 | 21 | 19½ | .24 |

The high and low sales prices are as quoted in Standard and Poor's Daily Stock Prices.

Management's Discussion and Analysis of the Last Three Fiscal Years of Operations

Results of Operations

The operations summarized in Note 2 are discussed below.

WD-40 Company (U.S.)

Sales in 1986 increased 8.9% over 1985 chiefly because of:

1. The demise of two competitive products, and
2. The introduction of the innovative "twin pack".

Operating profit rose 4.2% over the same period. The somewhat lower growth was the result of several expense items increasing faster than sales, namely marketing expense, promotional packaging costs, bad debt writeoffs, and insurance premiums.

WD-40 Company Ltd. (U.K.)

This subsidiary commenced operations in 1986 hence it had no sales in either 1985 or 1984. Operating income in 1986 was a dramatic improvement over the pre-operating losses sustained during 1985 and 1984.

WD-40 Products (Canada) Ltd.

Sales increased 10.2% from 1985 to 1986 while operating income rose 31.4% as a result of expenses not rising at the same rate as sales. Both percentages were even higher before recognizing the weakening of the Canadian dollar.

Sales increased 1.7% from 1984 to 1985 while operating income slipped less than 1%. Before currency translation, the corresponding figures are 7.2% and 4.9%. Clearly the declining value of the Canadian dollar had a negative impact on the results.

Liquidity and Capital Resources

The Company's primary source of liquidity is net income provided by operations. During the last three fiscal years the Company invested approximately \$1,200,000 in a new facility in England and at the same time increased the cash dividend payout. The year-end current ratio of 6.2 to one and the debt-free balance sheet reflects a healthy financial status. No significant capital expenditures are scheduled to be made in fiscal 1987.

Corporate Information

Board of Directors

| | |
|----------------------|--|
| John S. Barry | President and Treasurer |
| Sam Crivello | Investor |
| Eugene H. DeFalco | Investor |
| Daniel W. Derbes | President, Allied-Signal International Inc. |
| Harlan F. Harmsen | Secretary; Attorney, Harmsen, Carpenter & Wilkinson |
| Jack L. Heckel | Chairman of the Board and CEO, Aerojet General Corp. |
| Margaret L. Roulette | Investor |
| C. Fredrick Sehnert | President, Software Products International |

Officers

| | |
|--------------------|----------------------------|
| John S. Barry | President and Treasurer |
| Gerald C. Schleif | Vice President – Marketing |
| Harlan F. Harmsen | Secretary |
| Arland Pasquarella | Assistant Secretary |

General Counsel

Harmsen, Carpenter & Wilkinson

Independent Accountants

Price Waterhouse
San Diego, California

Transfer Agent & Registrar

California First Bank
8155 Mercury Court
San Diego, California 92112

Corporate Office

1061 Cudahy Place
San Diego, California 92110
619/275-1400

Annual Meeting

2:00 PM, December 2, 1986
Mission Room
Mission Valley Inn
875 Hotel Circle South
San Diego, California 92108

Subsidiaries

WD-40 Products (Canada) Ltd.
WD-40 Company Ltd. (U.K.)

Listed

Over the Counter
NASDAQ National Market System
Symbol WDFC

Ten Year Summary (1)

Fiscal Year Ended August 31

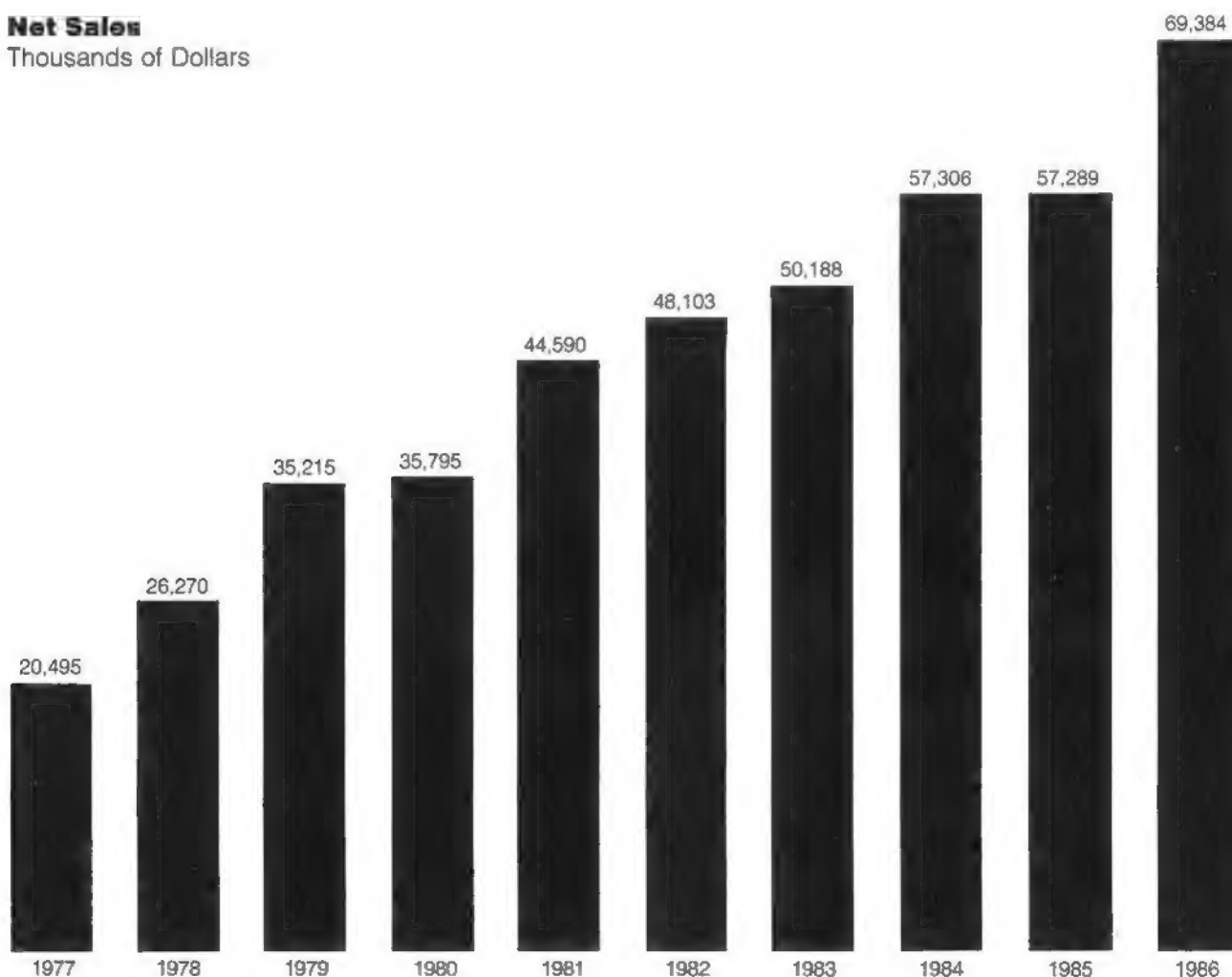
| | 1977 | 1978 | 1979 |
|---|--------------|--------------|--------------|
| Net sales | \$20,495,000 | \$26,270,000 | \$35,215,000 |
| Cost of products sold | 9,230,000 | 10,957,000 | 15,503,000 |
| Gross profit | 11,265,000 | 15,313,000 | 19,712,000 |
| Selling, advertising, general and administrative expenses | 5,812,000 | 7,200,000 | 9,154,000 |
| Interest, royalty and other income | 296,000 | 491,000 | 706,000 |
| Income before income taxes | 5,749,000 | 8,604,000 | 11,264,000 |
| Provision for income taxes | 3,013,000 | 4,470,000 | 5,761,000 |
| Net income | \$ 2,736,000 | \$ 4,134,000 | \$ 5,503,000 |
| Earnings per share (2) | \$.38 | \$.56 | \$.74 |
| Average number of shares outstanding | 7,303,698 | 7,414,278 | 7,434,270 |
| Dividends per share (3) | \$.18 | \$.27 | \$.40 |
| Total assets | \$ 7,556,000 | \$10,446,000 | \$13,352,000 |
| Number of employees | 31 | 32 | 35 |

(1) Includes the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated. See Management's Discussion and Analysis of the Last Three Fiscal Years of Operations on page 11.

(2) Earnings per share have been computed based upon the weighted average number of shares of common stock outstanding during each year after giving retroactive effect to the two for one stock split in October 1978 and the three for one stock split in April 1983.

Net Sales

Thousands of Dollars



| 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| \$35,795,000 | \$44,590,000 | \$48,103,000 | \$50,188,000 | \$57,306,000 | \$57,289,000 | \$69,384,000 |
| 16,106,000 | 19,715,000 | 20,467,000 | 21,781,000 | 24,060,000 | 24,403,000 | 29,370,000 |
| 19,689,000 | 24,875,000 | 27,636,000 | 28,407,000 | 33,246,000 | 32,886,000 | 40,014,000 |
| 9,519,000 | 10,203,000 | 11,253,000 | 13,647,000 | 14,318,000 | 15,053,000 | 18,620,000 |
| 942,000 | 1,212,000 | 1,712,000 | 1,333,000 | 1,515,000 | 1,505,000 | 1,259,000 |
| 11,112,000 | 15,884,000 | 18,095,000 | 16,093,000 | 20,443,000 | 19,338,000 | 22,653,000 |
| 5,602,000 | 8,040,000 | 9,130,000 | 8,119,000 | 10,381,000 | 9,984,000 | 11,083,000 |
| \$ 5,510,000 | \$ 7,844,000 | \$ 8,965,000 | \$ 7,974,000 | \$10,062,000 | \$ 9,354,000 | \$11,570,000 |
| \$.74 | \$1.06 | \$1.21 | \$1.07 | \$1.35 | \$1.25 | \$1.54 |
| 7,434,270 | 7,434,270 | 7,434,834 | 7,453,598 | 7,476,546 | 7,498,024 | 7,503,679 |
| \$.52 | \$.60 | \$.68 | \$.75 | \$.84 | \$.90 | \$1.04 |
| \$13,296,000 | \$20,284,000 | \$22,916,000 | \$24,698,000 | \$30,290,000 | \$32,871,000 | \$38,506,000 |
| 36 | 36 | 37 | 38 | 39 | 49 | 56 |

(3) The cash dividends paid per share have been retroactively restated to give effect to the October 1978 and April 1983 stock splits.

Earnings

■ Net Income: Thousands of Dollars

□ Earnings per Share: Dollars

